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October 30, 2007

Ref: Your letter 16711 dated October 1, 2007, EMPRESS OF THE NORTH

CDR Bornemann,

Thank you for expressing your concerns regarding the operation of the passenger vessel EMPRESS OF THE NORTH (O.N. 1140867).

I assure you that Majestic America Line shares your concerns, and that we have been taking very strong and positive steps to improve the operation of the EMPRESS and our other vessels. We are committed to establishing and maintaining the highest standards of safety and regulatory compliance.

While I do agree with the substance of your letter of concern, I respectfully wish to point out what I believe are misunderstandings or misconceptions:

1. We attribute the allision with the dock on July 14 to human error. The very experienced Master involved in this incident simply misjudged the effect of wind and current at the time of maneuvering the vessel alongside. I cannot ascribe this to any failure of the Safety Management System or determine what additional policy or procedure could have been in place to prevent this human error.
2. I also believe that the statement "less than fully qualified officers were assigned to the vessel" is incorrect. While we agree that the Chief Engineer did not have the proper endorsement on his license, this was an administrative error and did not affect the safety of the vessel in any way. The Chief Engineer was fully qualified but was missing the proper endorsement on his license. This was very quickly and easily rectified.

3. I also believe the same to be true of the deck officers that were missing the required pilotage waivers. The officers were all fully qualified but did not have the letters documenting a waiver of the requirement. This was also rectified very quickly and easily. I agree that we should have known about this requirement and provided the letters earlier, but the absence of the letters does not, in my opinion, justify the statement that these officers were not qualified.

I do agree that the Safety Management System should be more robust and more detailed, and that it needs to be implemented in its entirety aboard and ashore. We recognized this fact very early in the season, and have been taking positive measures to rectify the situation since we identified it.

The 2007 season signified the start of a new company, operating under a new brand name and new management. The brand name 'Majestic America Line' is part of Ambassadors Cruise Group, a newly-formed subsidiary of Ambassadors International, a publicly traded corporation (NASDAQ: AMIE) based in Newport Beach, California (www.ambassadors.com). Ambassadors purchased the American West Steamboat Company and the vessels of the Delaware North Corporation (Delta Queen Company) to form Majestic America Line's fleet of seven U.S. flagged passenger vessels.

The new owners realized very quickly that the EMPRESS and other vessels had not been operating in an efficient and responsible manner under previous ownership, and in February this year, hired me as the Senior Vice President of Marine Operations to manage deck and engine operations for the fleet. I am an experienced passenger ship Master and am well versed in ship operations, and have also been the Director of Environmental Compliance for Holland America Line and Windstar Cruises.

After numerous visits to the vessels, review of documentation and discussions with ship officers and others, I recognized the immediate need to build a professional marine staff experienced in ship operations, focusing on shipboard regulatory compliance. On May 1st, 2007 we hired Chris Volkle as our Director of Compliance. Mr. Volkle is also an experienced ship Master, with a management and operational background in regulatory compliance, safety and training for U.S. and foreign-flagged passenger vessels. He and I performed the internal investigation of the grounding of the EMPRESS on May 13th and discovered that both the Document of Compliance and the Safety Management Certificate were invalid, and immediately informed the company and the U.S. Coast Guard. ABS was then contacted to perform an initial office and vessel external audit in order to issue a set of Interim certificates to the new owners/operators.

Close examination of the vessel's Safety Management System (SMS), visits and 'ride-alongs' on company vessels, interviews with all levels of company and fleet employees, review of incident, insurance and other records and discussions with regulatory agencies revealed very clearly that the vessels of both U.S. companies that Ambassadors had purchased possessed substandard compliance and loss histories, and that a culture of safety and compliance had never been established by the previous owners and operators. It was also obvious the EMPRESS' Safety Management System had never been

implemented fully, neither onboard nor in the office. These internal findings resulted in a strategy proposal to the company's senior management in late May, in which the following tentative timeline was set:

- 12 to 18 Months - Completely rewrite the Safety Management System, implement fleet wide (voluntary), obtain ABS certifications for company and all vessels.
- 36 to 48 Months – Develop and implement fleetwide ISO 14001 Environmental Management System, obtain ABS certifications for company and all vessels.
- 48 to 60 Months – Design and apply for acceptance into the USCG Streamlined Inspection Program.

In order to effect this plan and also to further improve ship operations, Majestic America Line has since then taken the following initial personnel actions:

- Moved the Vice President of Marine Operations to the newly created position of Vice President of Technical Operations in order to focus solely on engineering and preventive maintenance issues.
- Promoted the Director of Compliance to Vice President of Nautical Operations & Compliance to provide a wider scope of compliance application into ship operations.
- Hired a new Director of Operations & Compliance, two Managers of Operations & Compliance and an Operations & Compliance Administrative Assistant.
- Assessed and evaluated marine personnel aboard our vessels and made numerous personnel changes.
- Recently approved the additional hire of one more Manager of Operations & Compliance, and a Training Manager.

As our efforts to redesign and implement a more robust SMS take shape, we are not waiting until the policies and procedures are finalized to start improving on some of the things that we feel need to show immediate progress. In the past few months we have:

- Completed a thorough internal inspection and internal audit of the EMPRESS OF THE NORTH, AMERICAN QUEEN and DELTA QUEEN.
- Implemented internal incident investigations for serious or potentially serious accidents and incidents, identified root causes, and implemented corrective actions.
- Implemented a certificate and document tracking system.

- Implemented a nonconformity and deficiency tracking system.
- Formed a corporate Training Advisory Committee (TAC) to focus on identifying training needs and examine training solutions.
- Transferred 'fleet' training functions and responsibilities from the Human Resources Department to the Operations & Compliance Department.
- Vastly increased the Training budget.
- Contracted with the Pacific Maritime Institute (PMI) to conduct safety training aboard each company vessel. PMI is now on the second round of vessel visits and training.
- Sent five employees through an intensive 10 day professional fire fighting instructor course at the Washington State Fire Academy. These employees are now back out in the fleet and performing onboard training and drills of fire teams.
- Started initial contract negotiations with the Pacific Maritime Institute for a two-year MATES training program similar to that used by the towing industry to provide trained officers to the fleet.
- Contracted with Aasgard Summit (a well-known maritime risk consulting firm) to perform a comprehensive examination of all areas of company operations to determine our amount of risk and recommend policy and procedural changes.
- Implemented a comprehensive Workplace Safety Program aboard all vessels to address personal accident and injury prevention; Confined Space Entry, Lock out/Tag out, Respiratory Protection, Hearing Conservation, Fall Protection, Bloodborne Pathogens, and Personal Protective Equipment.
- Implemented a system of Marine Directives to disseminate new and revised policies and practices aboard our vessels.
- Established a toll-free phone number for incident reporting and requests for advice and assistance from the ships. This number is manned 24 hours a day/7 days a week by a company "Duty Officer".
- Created and implemented a Career Education & Advancement Reimbursement Program for our employees to further their educational and career goals.
- Instituted a USCG Ride Program on the Mississippi River that offers U.S. Coast Guard Inspection and Boarding Officers the opportunity to ride along on our vessels while underway with passengers to observe our operations and assist with our improvement efforts. This program is available to your officers should you wish to participate.

- Participated in a training course in Memphis for Coast Guard Boarding Officers working on the Mississippi River to describe our operations and relate some of the issues we face in operating on this river.

We are currently engaged in planning and coordination of the following projects that will further enhance our capability to effectively manage the fleet:

- Provide Emergency Medical Technician training and certification to selected employees such that each vessel will have two EMT's aboard at any given time.
- Provide customized fire fighting training to each ship's fire teams to train the team members together as a unit, along with the designated On-Scene Leader.
- Design a comprehensive Steersman (Pilot) training program with classroom, simulator and onboard components.
- Establish requirements for Bridge Resource Management (BRM) and Engineer Resource Management (ERM) training for deck and engineering officers.
- Design a comprehensive 10 day training program for all shipboard employees that will take place prior to the start-up of our 2008 operating season.

I'd like to point out that none of these programs or policies were in place when we took ownership of the vessels, and that these represent tremendous progress and evidence of our commitment to safety and compliance. These programs also represent a huge investment in funding, time and other resources, all necessary to instill the kind of safety culture aboard the vessels of our fleet that we desire.

We have been working on a comprehensive revision of the Safety Management System since mid-July. As you are aware, this is a huge task that will still take many months. The draft outline that we are working against to create policies and procedures is attached (Attachments 1 thru 5). Weaknesses in the specific areas that you cite are being addressed. I have attached the draft policies for these areas as follows: instructions & procedures (Attachment 6), communication lines (Attachment 7), reporting accidents (Attachment 8), response to emergency (Attachment 9), seafarer qualifications (Attachment 10), and procedures for new personnel (Attachment 11). Please understand that these are all 'works in progress' that will not be finalized for several months as we ensure that they are properly reviewed and are consistent with other sections and policies of the Safety Management System that are currently being designed.

We welcome an open dialogue with the U.S. Coast Guard, and have invited you and Lt. Waddington to visit our Seattle office at our expense to meet with me and our corporate operations and compliance staff. The American Bureau of Shipping has also expressed

interest in joining us should you decide to meet with us here. I sincerely hope that you are able to accept our offer.

Please do not hesitate to contact me or any member of my staff should you have any questions or comments.

Regards,



Capt. Nico Corbijn
Executive Vice President - Operations
Majestic America Line/Windstar Cruises

Copy: American Bureau of Shipping
USCG Sector Portland
USCG Sector Seattle
District 17 (dp)
National Transportation Safety Board